

CITY OF LEE’S SUMMIT, MISSOURI
MINUTES OF THE MEETING OF THE
TAX INCREMENT FINANCING COMMISSION

June 10, 2020

The meeting of the Tax Increment Financing Commission of the City of Lee’s Summit, Missouri (the “**TIF Commission**”) was held on June 10, 2020 commencing at approximately 6:05 p.m., via Zoom conferencing, pursuant to notice duly given.

TIF Commission attendance was as follows:

James Freeman	Present
Clint Haynes	Present
Doug Bates	Present
Tim Shrout	Present
Allison Walker	Absent
Joe Willerth	Present
Mike Allen	Present
Judy Hedrick	Present
Joe Hudson	Present
Randy Rhoads	Present
Other Taxing Jurisdictions	Absent (Jim Staley joined the meeting at 6:26 p.m.)

City staff present included David Bushek (Chief Counsel of Econ. Dev. & Planning), Steve Arbo (City Manager), Mark Dunning (Assist. City Manager), Bette Wordelman (Finance Director), Ryan Elam (Director of Development Services), Michael Park (City Traffic Engineer) and Julie Pryor (Executive Assistant).

Chairman Freeman called the meeting to order. Attendance of the members was verified. A simple majority of the TIF Commission was present, a quorum was recognized and the meeting commenced.

Approval of the consent agenda

Commissioner Haynes made a motion to approve the consent agenda, seconded by Commissioner Hudson. The commission voted and the motion carried unanimously.

Election of Officers

a. Chair

Commissioner Willerth made a motion to nominate James Freeman as Chair, seconded by Commissioner Rhoads. The commission voted and the motion carried unanimously.

b. Vice Chair

Commissioner Hudson made a motion to nominate Randy Rhoads as Vice Chair, seconded by Commissioner Allen. The commission voted and the motion carried unanimously.

c. Secretary

Commissioner Rhoads made a motion to nominate Clint Haynes as Secretary, seconded by Commissioner Hudson. The commission voted and the motion carried unanimously.

Continued Public Hearing for 291 North Highway 50 Tax Increment Financing Plan

Chair Freeman opened the public hearing and the witnesses were sworn in.

Staff Presentation

Mr. David Bushek, Chief Counsel of Economic Development and Planning, presented a power point presentation to remind commissioners the key points discussed at the February 26, 2020 public hearing. He provided a procedural review of the process explaining the continuations of the public hearings requested by the LSR7 School Dist. and due to COVID-19 emergency and the election date change from April 7, 2020 to June 2, 2020, whereby the LSR7 School District \$224M bond question passed, providing \$80M for the Lee’s Summit High School Campus project.

Mr. Bushek reviewed the information presented in the Feb 26, 2020 TIF Commission meeting and provided a diagram of the City-preferred interchange design and highlighted the key data points in the proposed budget for the project.

The total projected project costs is \$44M and the TIF Plan Highway Patrol relocation cost is \$8.1M. This TIF plan would fund 9.9 – 10% of the total project cost. He broke the costs down further for funding the Highway Patrol Relocation:

TIF Plan	\$4,056,500
City Advance	
Land Reimbursement	\$2,000,000
<u>State Funding</u>	<u>\$2,056,500</u>
Total	\$8,113,000

Mr. Bushek displayed the TIF Project Area map with the four proposed project areas and provided an analogy of a TIF Revenue Waterfall using buckets to describe the various items funded by the TIF Plan. The four buckets represent the four cost categories and each bucket would fill then spill over into the next bucket in the following order: business relocation costs, interchange costs, financing and contingency costs, site-specific improvements (which only occurs if there is an amendment to the TIF Plan).

He then updated the commission on the progress of the project during the continuance period explaining the City Council approved the MOU with the Missouri Highway Patrol and staff met with the state. The Cost Share application was submitted and the date for the decision of the Cost Share has been pushed back to late summer 2020. There have been more discussions with LSR7 and discussions with the retailers in the project areas (Wendy’s and QuikTrip). Finally, the LSR7 \$224M bond question passed on June 2, 2020.

Next, Mr. Bushek reviewed the following benefits to the School District:

- Enhanced traffic safety through the interchange improvements, Blue Parkway realignment
- Improved Lee’ Summit High School access

- Project #1 excess northern property for campus
- Better access to athletic facilities
- Preserve existing tax base
- Make productive use of tax-exempt property
- Net positive tax benefit to School District from personal property taxes, Merchants & Manufacturers Inventory Replacement Tax

The applicant's request for this meeting is to conclude the Public Hearing and have the TIF Commission make a recommendation to the City Council by Resolution. Everything remains the same as it did from the February meeting, except with the added results of the School District bond question which should play a favorable role in moving this project forward.

He reiterated the analogy of describing the project as a wheel with six spokes. The City is the center of the wheel that requires all six spokes to make the project happen as a whole.

Mr. Bushek added when staff met with the state representatives on March 3, 2020, the State Budget Director made a poignant comment stating that awarding of any state funding would be contingent on the City approving the TIF Plan. In other words, they would be looking to the City to make the first step to move forward with the financing package and would not appropriate any funds until the TIF plan is approved.

Mr. Bushek provided the following reasons to approve TIF Plan:

- Public Safety – new interchange and outer roads, enhanced traffic safety and traffic flow
- Enhanced Redevelopment Opportunities
- City takes First Leadership Step
- Low Risk
- Absolute “But For Test” – no TIF Plan means no project. If the TIF plan does not move forward it is unlikely the improvements will be made.

Finally, Mr. Bushek concluded the presentation reminding the commissioners the cost share includes the City paying for half the state's cost of the interchange project and provide funding to relocate and build a new Highway Patrol.

Questions:

Commissioner Hudson heard there was a meeting last week at the school district where it was determined this project would increase the cost to the School District by about \$1.5M to make the improvements tied to the TIF Plan and asked for clarification.

Mr. Bushek responded the timing of the School District improvements would not match the timing of the TIF Plan improvements. The interchange project would start around 2022 -2023 with the relocation of the Highway Patrol and new building construction, which could take two or more years. In turn, the Blue Parkway realignment timeline would be different from the Lee's Summit High School redevelopment timeline. So the question becomes what additional costs would be incurred to integrate the two projects and who would pay those costs?

Michael Park, City Traffic Engineer, reviewed a conceptual plan of the TIF project and pointed out the areas making up the additional \$1.5M improvements, including other categories above and beyond the alignment improvements such as increased lighting, irrigation and landscaping. He added the School District still needs to fine-tune their plan.

Commissioner Allen stated the School Board received updated financial information on the estimated \$1.5 improvements, taking out the lighting and other items. While the timing of the TIF Plan does not impact the School District improvements, the Blue Parkway alignment does. The cost estimate they received for the improvements was \$1.1M and is not included in the budget to renovate the high school.

He added while the TIF Plan may provide a net positive tax benefit to the School District from personal property taxes however; the timing of the Blue Parkway improvements extends the timeline of the School District improvements another year or two making the total renovation to the high school a five-year project. He wonders when the positive tax benefit would occur.

Commissioner Hedrick added other items removed from the improvements include the Stadium Drive which lowers the cost to \$939,000 additional dollars. However, there is no funding source for these improvements and voters only approved the \$80M improvements for the high school.

Mr. Bushek stated the question becomes how to address this issue? Again, using the wheel analogy, the city is at the center of this project and needs to come to an arrangement that works for each “spoke” in order to move the project forward. The issues the School District are raising are no different than the issues raised from the other parties involved with the project areas and are issues to be discussed when deciding the cost share arrangements with MoDOT. However, the purpose of this public hearing is to get recommendation on partial funding for the Highway Patrol relocation. These other funding issues will have to be resolved later when negotiating the cost share with the state and discussions with other parties. Again, the first initial step has to be approval of the TIF plan.

Commissioner Hedrick stated at the LSR7 Finance and Budget meeting, city staff indicated the revenue only covers half the cost of the relocation and did not provide any indication that the School District could recoup some of the costs they are being expected to fund for the parking and driveway configurations needed for the road alignment.

City Manager Steve Arbo stated as a practical matter there is not a high probability the TIF Plan would have funds to pay for the incremental costs due to the impact of the relocation of Blue Parkway on the School District. Revenues would have to come from a different source and not the TIF Plan.

Commissioner ShROUT inquired about the School District’s plan to address the safety of the intersection.

Commissioner Allen replied the (Blue Parkway realignment) curve, slowing the speed and changing the access would enhance the safety at that location. The School District is addressing safety issues, traffic flow, and parking at the high school with the \$80M bond money.

Commissioner ShROUT asked if the TIF plan is approved is it a disadvantage to the School District?

Commissioner Allen stated they were told at the LSR7 Finance and Budget meeting their state funding would be cut by \$2M, with similar cuts the following year. LSR7 reserves are currently at 21% and fall to 15% and 14% each consecutive year down to 10% due to state funding cuts, which is a statewide issue.

The expectation that additional funding would be required from the School District is what makes the School District nervous about this TIP plan. Also, inflation and increased construction costs are not factored in to the costs.

Commissioner Haynes inquired what happens if the TIF Plan is approved and then the state says they are unable to fund their portion.

Mr. Bushek said if the State Legislature will not appropriate funds to fill the \$2M gap, there is still the option to go through contractual arrangements with the office of Administration and use MoDOT funds to fill the gap. Again, we need a positive award on the cost share application or nothing will move forward on that front. If the state declines the \$2M funding, then we would aggressively try to fill that gap through all other means.

Commissioner Rhoads asked about the revenue projections for Project 2 which states a base case of \$0. Mr. Bushek explained the boundary areas for Project 2 are on MoDOT property and is tax exempt based on its current location. The property outside the project area where the QuikTrip is currently located would remain taxable. The value will decrease because the structures will change. They are not projecting any revenue flows in areas outside the project areas. Anything outside the yellow areas on the map continue to produce tax revenue for the taxing districts and are not affected by the TIF Plan.

Commissioner Hedrick inquired about the Blue Parkway realignment and how much of the currently taxed property would then become MoDOT property (tax exempt).

Mr. Bushek responded this is to be negotiated with MoDOT and would be determined when the final plan for the realignment is completed.

Michael Park, City Engineer, added once the alignment of Blue Parkway is set there may be a set portion of right-of-way that would be a smaller footprint than the current MoDOT property that would be vacated for economic opportunity. There would still be some portion that would be taxable.

Commissioner Staley asked if the plan is to move QuikTrip from a fully taxable revenues to diverted TIF revenues.

Mr. Bushek replied it's a difficult question to answer because we don't know the extent of the remaining balance of the property not within the project area can be developed and produce replacement tax revenues for the tax revenues that are captured from project 2. But to the extent the value of the building is producing tax revenue then yes that does remove taxes from that value from the tax rolls to the benefit of the TIF Plan. But we think it is more than offset by the net benefit to all taxing districts once everything is constructed.

Discussion ensued over the safety of the intersection at the high school site and Commissioner ShROUT asked the two School Board commissioners if safety of students at this location is the least of the School districts concerns. Both Commissioner Allen and Hedrick replied no, it is not the least of their concerns.

Commissioner Allen stated it is a major concern and Commissioner Hedrick added the School Districts \$80M bond money includes a reconfigured traffic flow at that campus to address the safety issue.

Michael Park added the improvements to Blue Parkway will undoubtedly improve safety and he reviewed potential changes that would be made. He finished by stating one of the main reasons to support this plan is to improve safety.

Mr. Bushek read a statement received by the City today, submitted by Jennifer Meents, who stated she "is not in favor of the TIF Plan for 291 & Highway 50 which is being discussed tonight at the meeting. Please vote no for the resolution." She provided no explanation for her statement, so City staff is not in a position to provide a response to her concerns. She did not include her physical address, only her email and phone number.

Hearing no further questions, Mr. Bushek concluded his presentation by stating the main focus seems to be the impact on the School District and the additional cost to realign Blue Parkway with the LSHS campus. This is one of many issues to be answered in the future. All the aspects of the realignment will have to be addressed with all the parties involved. He would hate to see the entirety of the interchange project be held up at the first step because we can't get past this first hurdle of approving a TIF plan for partial funding to move the Highway Patrol. It is critical for the City to represent to the state agencies that we have taken the first step for a financing package that works for everyone. He acknowledged there is a lot of work to be done and the City needs to continue to work with the School District to try to solve future funding gaps for them and all parties involved.

City Manager Steve Arbo commented the City is in the unusual position as advocates for this application. He added the City has always maintained a sense of mutual support with its community partners. While this is a MoDOT project and has funding shortcoming, this site has been a problem for decades. The Highway Patrol was built in 1954 to house ¼ of the personnel it holds today. Also, it fills a public need and is a sense of pride to have the Highway Patrol located in our city. We are doing two things to try to help our partners in governance to improve a highway interchange and provide a new headquarters for the Highway Patrol.

This location is one of the highest rated safety concerns in the City of Lee's Summit. The City feels obligated to provide safe passage to citizens and others who travel through our community. When looking at the uses and sources, this project tries to capture private investment that can occur and this is the only opportunity for this project. If we are not able to find a way to solve this problem, at this moment in time, we will not find a way to solve this problem. The only other option is to wait for MoDOT to find the money to fix the existing capacity and the long-term safety issues.

The City of Lee's Summit is putting over \$10M from its local road fund and reassigning it to the State highway project. That is our way of stating as a partner that we want this repaired. Additionally, the City is also putting to risk \$2M towards the \$4M needed to relocate the Highway Patrol, with the hope to recoup the \$2M when the current property location is sold. The City is investing \$14M in this project which technically is not the City's responsibility. The City greatly cares about the School District and values its relationship and the ability to work together on issues.

He acknowledge the funding impact of the School District can't be addressed by the TIF Plan. However, that doesn't mean the TIF Plan is bad nor does it mean it shouldn't be approved. It just means there is a need that will have to be addressed with some other way. If it can't be addressed by other means, we won't have the School Districts' cooperation and this project will not happen because we need some of their property for the Blue Parkway realignment. The project definitely won't happen if we don't get the approval of this TIF Plan and be given the opportunity to continue to work on solutions in other places.

He encourages the TIF Commissioners to look at the question is this a good funding plan for the basic element of relocating what is currently inside the TIF District. The City is demonstrating there is a likelihood all the problems can be solved with a combination of partnerships with private investment, MoDOT, the School District and the City. If this doesn't pass today, he's not sure there will be another opportunity. QuikTrip and the other parties will have to move on with their investments and there will never be another opportunity to capture new net revenue in order to make this project work.

Jessica Glavas with QuikTrip stated her support for this TIF project and is looking forward to working with the City.

After public comments, Chairman Freeman asked if there were additional questions. Hearing none, he closed the Public Hearing and opened the discussion to Commissioners.

Commissioner ShROUT stated he supports this TIF Plan because of the public safety issue for students in the School District and for the relocation of the Highway Patrol.

Commissioner Staley expressed his concern of committing public funds intended for taxing jurisdictions into a project that has so many questions still to resolve. The library received notification that state revenues were going to decrease 8% and he's concerned this may set a precedent where other cities use similar solutions for projects that lack state funding.

Commissioner Rhoads made a motion to recommend for approval a resolution of the Tax Increment Financing Commission of Lee's Summit, Missouri, recommending that the City Council approve the 291 North and Highway 50 Tax Increment Financing Plan, seconded by Commissioner ShROUT.

A voice vote was taken:

James Freeman	Aye
Clint Haynes	Aye
Doug Bates	Aye
Tim ShROUT	Aye
Allison Walker	Absent
Joe Willerth	Aye
Mike Allen	No
Judy Hedrick	No
Joe Hudson	Aye
Randy Rhoads	Aye
Jim Staley	No

The final vote was with 7 Aye's, 3 Nay's, and 1 absent (Commissioner Walker). The motion passed.

Roundtable Discussion:

Commissioner Rhoads apologized for erroneously cancelling the TIF Commission meeting appointment from calendars.

Commissioner Allen wants to applaud City staff for their forthright, positive collaborative discussion with the School District. Commissioner Hedrick agreed.

There being no further business, Commissioner Willerth made a motion to adjourn the TIF Commission meeting, seconded by Commissioner Rhoads. The motion passed unanimously.

The meeting adjourned at 7:36 p.m.

Respectfully submitted,

Clint Haynes, Secretary